

Outlook for the Cane Refining Industry

USDA Agricultural Outlook Forum

February 2015



Facts of Life

- US sugar market has been distorted since the 1930s when farm support programs started.
- Our govt picks winners and losers, and cane refiners are on the short side.
- High sugar support prices vs corn set the stage for a 25 year siege against cane refiners.
- CCC loan rates are set at prices that do not allow cane refiners to cover costs.

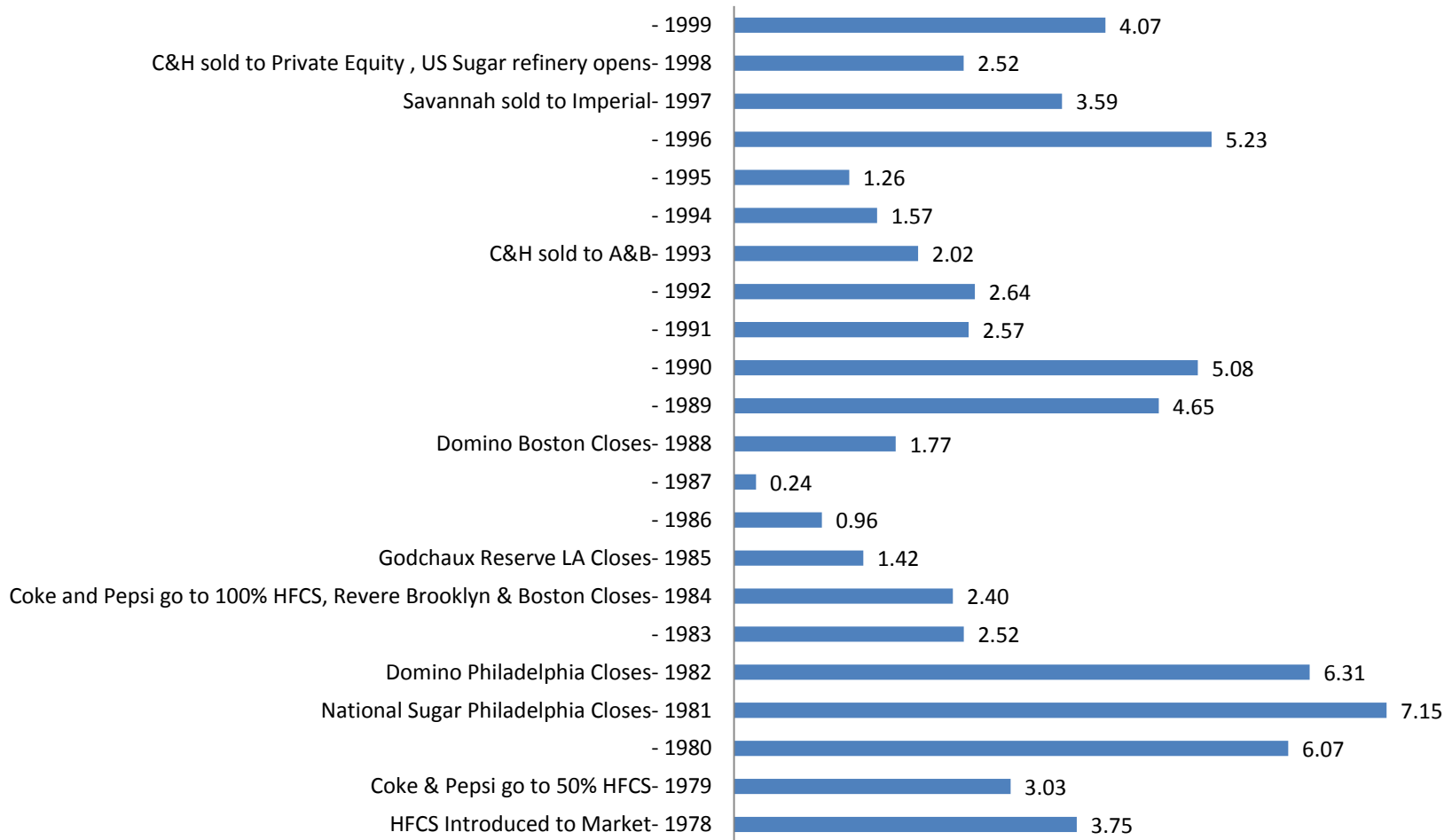
Simple Math

	\$ per cwt		
Refined Beet Loan Rate	\$ 24.09		
Raw Cane Loan Rate	\$ 18.75		
Delivery to refiner	\$ 3.00		
#16 Equivelant	\$ 21.75		
Refining loss & Pol	\$ 1.52	@	7%
Refining cost(est)	\$ 6.00		
Total Raw Cost (excluding refining)	\$ 29.27		
Beet / Cane Differential	\$ (5.18)		

Circle of Life

Of a Cane Refiner 1978-1999

■ Cane Refining Margin (Cents per Lb.)



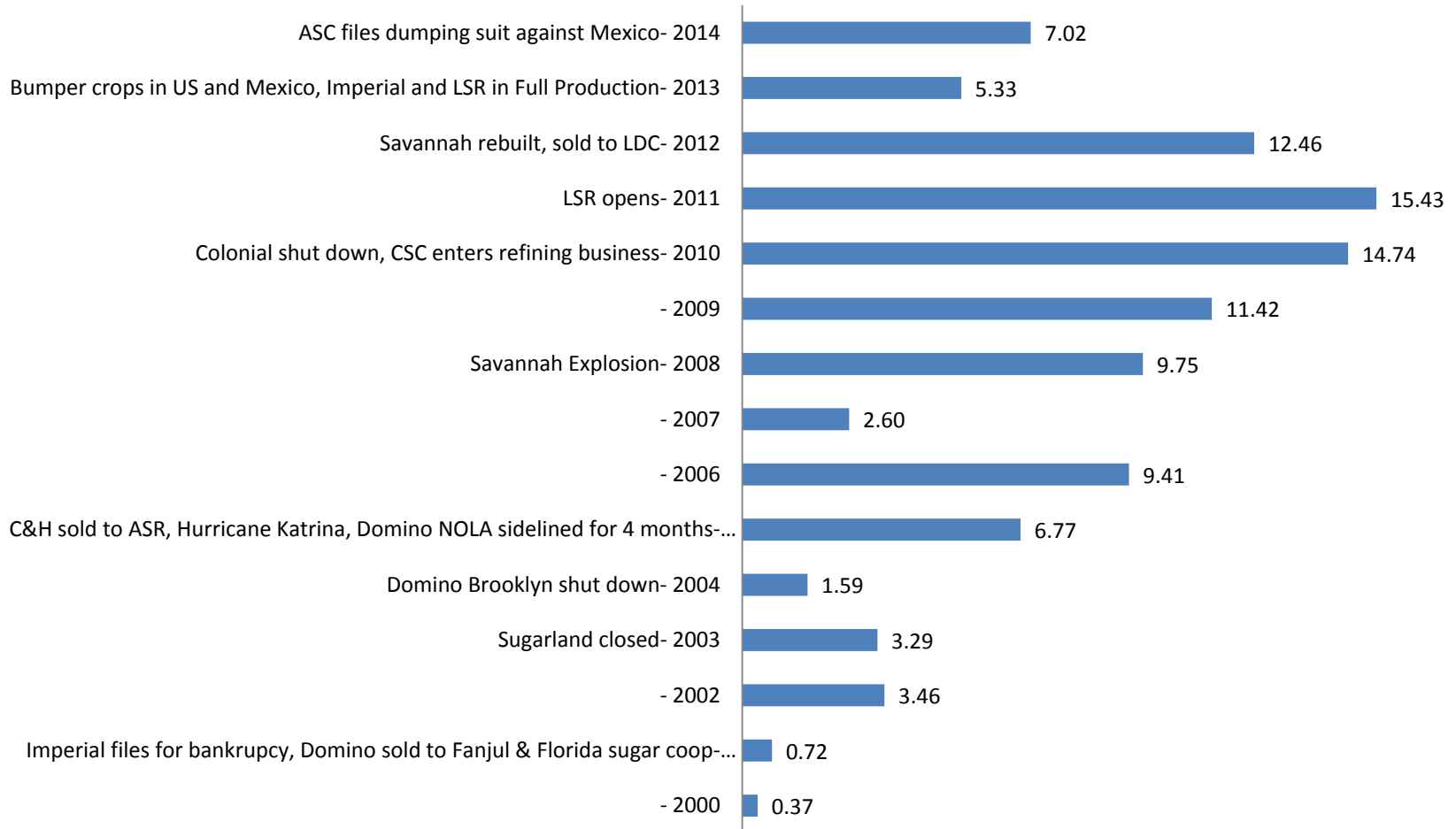
Market forces do work

- The 25 year siege against cane refiners left the industry with few players.
- Natural events (poor crops and hurricanes) offered the remaining refiners profitable margins from 2005 to 2012.
- Higher margins brought new capacity to the market (Imperial, LSR, CSC)
- Margins collapsed with new refinery capacity available.

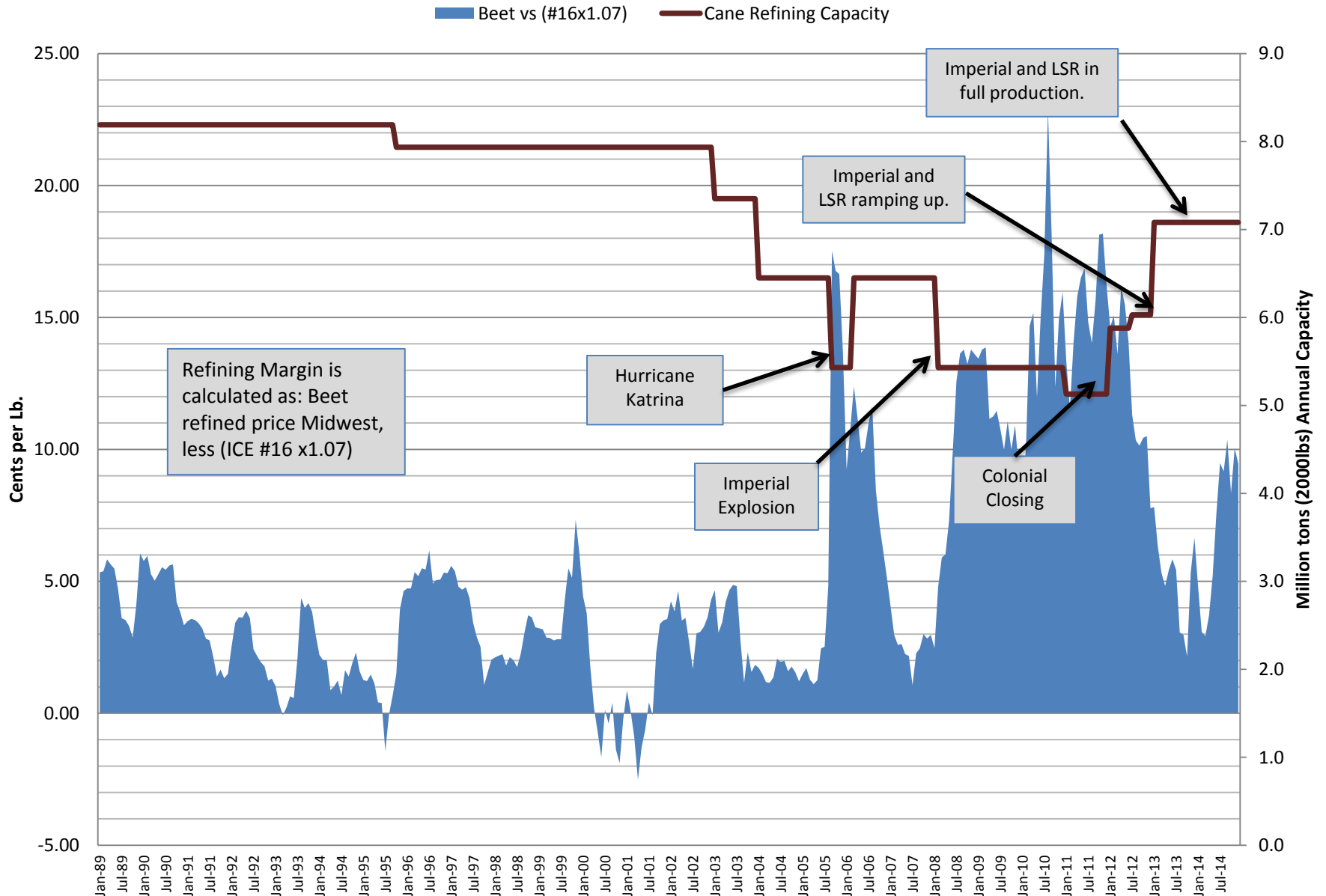
Circle of Life

Of a Cane Refiner 2000-2014

■ Cane Refining Margin (Cents per Lb.)



Cane Refining Capacity vs Margin



Outlook

- Continued exodus away from HFCS.
- Non GMO wave may be a tsunami.
- Global warming and its effects on weather patterns will likely add to the volatility.
- Circle of life for cane refiners will continue.

Why would anyone want to own a cane refinery?

- Cane growers believing that the grass is always greener.
- In down cycles, they can be cheap to buy.
- Changing market dynamics (demand shifts) offer opportunities.
- It looks easier than it is.
- Last free market sector in USA. Who do you respect more, GM or Ford?

Thank You

